

On Hong Kong Public Housing System and Poverty

Xia HONG, Zhiqing XU *

School of History, Nanjing University

Email: roxena@163.com

Abstract:

It is said that the ramification of social housing policy in Hong Kong is a huge success. In this miracle, the hero is British Hong Kong Government who has established the public housing system. However, the government's intervention had its own political and economic purpose, and the improvement of housing situation was by no means an achievement. From 1972 to 1987, the British government began to consider the future of Hong Kong and negotiations with the Chinese government. In order to bargain with the Chinese government effectively in the Sino-British talk on the Hong Kong issue, British Hong Kong Government has taken the initiative to intervene in the livelihood issues. The intervention not only made Hong Kong more modern, but also improved residents' loyalty to British Hong Kong Government. With the booming property market, scarce urban land supply in Hong Kong and Kowloon, and the growing population, the government made a huge plan to develop the New Territories. Ignoring the living conditions, traditional customs and architectures, the unreasonable land resumption arrangements caused dissatisfaction among the aborigines. The development strategy of real estate developers closely followed the plan of the Government. With plenty of money, real estate developers owned a large number of valuable lands. The intervention of British Hong Kong Government in social housing problems was not simply based on social security. Some of the unreasonable public housing policies did not solve the problem of poverty. Instead, it was the real reason of poverty. Hong Kong's achievement of solving the public housing problems exists in name not in deed.

Key Words: British Hong Kong Government, Hong Kong public housing system, property developers, middle class, low-income people

* Hong Xia, Associate Professor, School of History, Nanjing University; Xu Zhiqing, Postgraduate Student, School of History, Nanjing University

1. CONTRADICTIONS IN HONG KONG SOCIETY AND REAL ESTATE INDUSTRY

The right to housing is a basic human right. Having housing conditions is a fundamental prerequisite for people's survival and development. Anthony Giddens, author of *Sociology*, claimed "Housing is a symbolic matter - it indicates status, provides security and interweaves with overall livelihood."¹ Manuel Castells also showed us in *The Urban Question: A Marxist Approach* that "Housing is economic, political and ideological."² "Housing, by expressing all the instances of a society at once, has a relatively well defined place in the social structure, as a locus of the simple reproduction of labour power."³ And Article 25 of *The Universal Declaration of Human Rights (UDHR)* said "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services."⁴

However, with the rapid development of the society, social exclusion is becoming more and more serious. "While many people in industrialized societies live in comfortable, spacious housing, others reside in dwellings that are overcrowded, inadequately heated or structurally unsound."⁵ "Homelessness is one of the most extreme forms of exclusion."⁶ In the era of market economy, many citizens failed to afford a house, because of the rising home price. In order to ensure that every member of society has a place to live, the government is supposed to introduce some social welfare policies to help those who have housing difficulties.

Owing to the colonial land policy, home prices always make Hong Kong dwellers feel a sense of helplessness. Before the first Opium War, Hong Kong was a nameless and original fishing port with poor resources. It had only 5650 inhabitants who made a living with the sea. Therefore, Hong Kong was called a rotten stone at that time. *Treaty of Nanking* made Hong Kong Island officially ceded to Britain in 1842. Then signed in 1860, *The Treaty of Beijing* stipulated that Kowloon Peninsula was ceded to Britain. *The Convention for the Extension of Hong Kong Territory* was signed in 1898 and the New Territories were leased for 99 years. *The Times* once used these words to described Hong Kong "A borrowed place living on borrowed time." Based on the "borrowed" framework, the British government did not take into account the long-term construction plan of Hong Kong but took tremendous benefits under the circumstance of Hong Kong stability and no political turmoil. According to the British legal

¹ Anthony Giddens, *Sociology Fifth edition*, Cambridge: Polity Press, 2006, p. 513.

² Manuel Castells, Alan Sheridan translated, *The Urban Question: A Marxist Approach*, London: Edward Arnold (Publishers) Ltd, 1977, p. 126.

³ Manuel Castells, Alan Sheridan translated, *The Urban Question: A Marxist Approach*, London: Edward Arnold (Publishers) Ltd, 1977, p. 189.

⁴ *Universal Declaration of Human Rights*, <https://www.un.org/en/universal-declaration-human-rights/index.html>

⁵ Anthony Giddens, *Sociology Fifth edition*, Cambridge: Polity Press, 2006, p. 359.

⁶ Anthony Giddens, *Sociology Fifth edition*, Cambridge: Polity Press, 2006, p. 361.

system, the land in Hong Kong belonged to the British Royal Family and was called the “Crown Land” which was managed by the British Hong Kong Government. The government earned lucrative profits by selling land use rights for a certain number of years. Land is a special commodity, and anyone controlling the supply of land can get the biggest benefit. British rulers who had rich experience in ruling and financial management, “deliberately limited the amount of land supply when the real estate price is low and increased the land supply when the home price was high, in terms of the timing, quantity and prices.” “High land price policy” caused a series of social reactions, especially in the real estate market. Consequently, property prices in Hong Kong always keep high.

In spite of the rapid development of Hong Kong's economy after World War II, it only represented the economic progress in the whole economy rather than the improvement of all residents' living standards. It also did not mean that all residents lived out of poverty. In terms of housing, influenced by the land policy and the relation between the supply and demand, most HK dwellers were priced out of the market. However, British Hong Kong Government stubbornly adhered to the “positive non-interventionism” and held an indifferent attitude. In 1953, a big fire broke out on the Christmas Eve in squatter areas in Shek Kip Mei, and more than 53,000 people were made homeless. The government had no choice but to resettle residents by providing low-quality resettlement buildings, and relocate them to the suburbs for promoting social stability. As a result, the government has officially opened a new chapter in intervening social housing.

Hong Kong's public housing system has developed rapidly in past decades of years. In the mid-1980s, more than 45% citizens were living in public housing. The government has become the largest house owner in Hong Kong. With regard to population ratio, the scale of Hong Kong public housing was second to Singapore in the whole world. The government regarded the public housing system as an outstanding achievement and constantly showed off to the world. Hong Kong's public housing policy was also regarded as a benevolent rule, which solved the housing problems of many poor people or middle class. It was an important part of Hong Kong's social welfare security system. But in fact, according to the *14th Annual Demographia International Housing Affordability Survey (2018)*, “Hong Kong's Median Multiple of 19.4 is the highest in the history of the Demographia Survey.”⁷ “Hong Kong is the least affordable market for the 8th consecutive year.”⁸ Hong Kong's housing price is stratospheric. Homeownership rate has been hovering around 50%. Nearly half of residents live in public housing estates with a tough living environment, and many people even live in very terrible circumstances, like “squalid cage homes”, “partitioned flats”, etc. Similar to Hong Kong in all respects, Singapore's homeownership rate was up to 85% as early as the end of 1980s.⁹

⁷ <http://www.demographia.com/db-dhi-index.htm>, 2018 edition, <http://www.demographia.com/dhi2018.pdf>, p. 17.

⁸ <http://www.demographia.com/db-dhi-index.htm>, 2018 edition, <http://www.demographia.com/dhi2018.pdf>, p. 10.

⁹ Hong Xia & Liu Jing, “Housing Policy System in Singapore after Autonomy”, *Journal of Suzhou University of Science and Technology (Social Science)*, vol. 3, 2012, p. 74.

A question that immediately come to my mind is: Why does Hong Kong fail to realize the dream of home ownership? To address this question, the author focuses on the benefits of British Hong Kong Government. Utilizing newspapers and political documents (*Hong Kong Yearbook* in various years, *Hong Kong Annual Digest of Statistics*, *Annual Report* and *Annual Review* by Hong Kong Housing Authority), the researcher chooses the historical analysis methodology to analyse the effects of Hong Kong public housing system on every social class.

2. FRIENDS SHARING MUTUAL BENEFITS: THE PROPERTY DEVELOPERS AND THE GOVERNMENT

In 1971, Murray MacLehose became the 25th Hong Kong governor. In the next year, a Ten-year Housing Programme was announced with the aim to provide full facilities and comfortable places for 1.8 million dwellers in ten years from 1972 to 1982. This epoch-making event officially opened the era of British Hong Kong Government's initiative to intervene in social public housing. "To achieve this target required the construction of 72 public housing estates, of which 53 would be newly built, 12 would be converted from old housing estates, and 7 would be village estates. It was expected that once the programme's targets were achieved, no one in Hong Kong would ever have to live in an overcrowded residence with poor facilities."¹⁰

At that time, the government carried out *New Town Scheme*, and built many new public housing estates in new towns. The concept of the new towns in Hong Kong is closely related to Ebenezer Howard's view of Garden City. After World War II, a large number of people rushed to London and brought a huge pressure to the city. In 1946, in response to the needs of social development and reducing the urban pressure, the London government introduced *New Town Act* that was enacted to clarify the concept of Garden City and formulate the Greater London Plan of 1944, which received favourable reviews. Therefore, British Hong Kong Government employed Leslie Patrick Abercrombie, one of the designers of the Greater London Plan, to make a city's construction plan for Hong Kong. Then, Abercrombie submitted *Abercrombie Report* (1948), suggesting that the government should develop the New Territories, a vest area in Hong Kong, by establishing some new towns, and follow the development of British cities. Unfortunately, the report did not get supports from the government in that it was considered to be too idealistic to redesign Hong Kong. In 1953, a big fire hit Shek Kip Mei on Christmas Eve and many families lost their home. In face of serious social housing problems and the purpose of and resumption, the government reconsidered the concept of "new town". In 1960, "new town" concept was first introduced in the design of Tsuan Wan. Under the ten-year housing programme, urban development also took place in Tuen Mun and Sha Tin. In the 1970s and 1980s, new towns, such as Tai Po, Fanling, Sheung Shui, Yuen Long, Tseung Kwan O and Tin Shui Wai, developed as well.

¹⁰ Leung Mei-yee, Julie Chiu translated, *From Shelter to Home: 45 Years of Public Housing Development in Hong Kong*, Hong Kong: Hong Kong Housing Authority, 1999, p. 147.

In term of the allocation of public rental housing flats, “The Hong Kong Housing Authority (HA) maintains an application system of public rental housing (PRH) applicants. Based on this system, we are able to offer PRH flats to eligible applicants in an equitable and orderly manner. We have set specific eligibility criteria and are offering various schemes to cater for the needs of different PRH applicants.”¹¹ From the Chart 1, we can easily know that the number of Waiting Lists applicants has never dropped below 10,000 since 1973. Afterwards, due to the cancellation of Touch Base Policy in 1980, a large number of illegal immigrants from mainland seized the last chance to reach Hong Kong. Therefore, the number of Waiting List applicants broke through 50,000 since 1980.

Chart 1: The Number of Waiting List Applicants, 1973 to 1986

Year	1973	1974	1975	1976	1977	1978	1979
Persons	11,576	29,348	36,711	21,779	23,943	17,618	11,268
Year	1980	1981	1982	1983	1984	1985	1986
Persons	56,703	51,373	67,327	55,661	61,966	66,560	62,153

Source: Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1978 Edition*, p.143; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1981 Edition*, p.156; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1982 Edition*, p.163; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1983 Edition*, p.177; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1984 Edition*, p.156; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1985 Edition*, p.160; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1986 Edition*, p.164.

Many poor applicants on the Waiting List chose to live in the new towns for the reason that they could shorten waiting time and live in the public rental housing flats as soon as possible. Chart 2 showed that many citizens gradually moved from Hong Kong Island and Kowloon to the New Territories. The New Territories, especially the new towns, gradually become the important living places for Hong Kong dwellers. Most of dwellers had experienced the worst living environment such as squatter areas and resettlement areas, so the new public rental housing flats did improve their living conditions.

Chart 2: Geographical Distribution of the Population, 1961 to 1991

	1961	1971	1981	1991
Hong Kong Island	32.10%	25.20%	23.70%	22%
Kowloon	50.40%	55.80%	49.10%	35.80%
New Territories	13.10%	16.90%	26.20%	41.90%

¹¹ <https://www.housingauthority.gov.hk/en/flat-application/application-guide/ordinary-families/index.html>

Marine Population	4.40%	2.10%	1%	0.30%
Total Population	3,129,648	3,936,630	4,986,560	5,674,114

Source: Census and Statistics Department, *Hong Kong Statistics (1947-1967)*, p. 15; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1978 Edition*, p. 27; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1981 Edition*, p. 24; Census and Statistics Department, *Hong Kong Annual Digest of Statistics 1991 Edition*, p. 11.

Unfortunately, the town planning and the construction does not reflect Howard's concept of Garden City. "Self-sufficiency" and "Community Equilibrium" were the goals of the new towns. In case of the new towns in Hong Kong, "self-sufficiency" means that the government should develop different industries so as to satisfy the employment opportunities of residents who were living in new towns. The new towns should also have its own town centers, schools, hospitals, shopping malls, banks as well as bus stations, etc. Whether consumption or employment, residents did not need to seek help across regions. "Community Equilibrium" refers to the satisfaction of several conditions in a new town. In the matter of housing, there should be different types of houses in the new towns to meet the need of different classes of residents. As for the usages of lands, they should include industrial lands, commercial lands, residential lands, green belts and so forth. In terms of population, excessive concentration in the age group should be avoided. Dwellers should be evenly distributed across all age groups. Regrettably, "The then government simply thought that Hong Kong was a small place. There was no need to develop each community that would be self-sufficient. Therefore, the government set aside the problems, and seldom considered the contradictions behind this social phenomenon."¹² Residents who were living in the new towns, faced severe social problems, for example, employment, transportation, education and social security problems as well as juvenile delinquency. These problems were undertaken silently by the new towns' dwellers.

Since the 1970s, Hong Kong's social welfare has undergone a dramatic turning point. The British Hong Kong Government held a positive attitude towards the issue of social welfare. The MacLehose administration though that "it was beneficial to have a confidential and comprehensive study on the future of Hong Kong. The government needed to carefully consider the public-works policies, fiscal policies on private investment, land policies (including auction sites and related terms), and budgetary policies."¹³ "Most people simply asked the government to provide a roof over the heads and not to be harassed."¹⁴ "When these targets were achieved, there was nothing in Hong Kong that would make any European observer feel shameful. Many aspects of Hong Kong society would be envied by other Asians.

¹² Lui Tai-lok, *Hong Kong Model: From Present to Past*, Hong Kong: Chung Hwa Book Co, 2015, p. 132.

¹³ Li Pang-kwong: *Governing Hong Kong Insights from the British Declassified Files*, Hong Kong: Oxford University Press, 2012, p.61.

¹⁴ Li Pang-kwong: *Governing Hong Kong Insights from the British Declassified Files*, Hong Kong: Oxford University Press, 2012, p.63.

Various plans that had attached the attention from the public were carried out, and successfully raised the residents' confidence in the government."¹⁵ The MacLehose administration believed that they should make a great improvement in the governances of social housing, education, medical care and social services in order to highlight Hong Kong's advantages in social development and systems. Only by this way, did they think that they could affect the Chinese government's position and policy towards the Hong Kong issue.

The ruling measures of the MacLehose administration not only responded to the demands of the citizens, but also increased the bargaining power in the Sino-British talk. "The government planned and announced a long-term project in 1972, which was developed along the logic of existing measures. At the same time, a message was announced: The uncertain environment caused by the influx of refugees in the 1950s and 1960s has become a thing of the past. The aim was to focus public attention on Hong Kong as their home and the Hong Kong Government as their government."¹⁶ Hence, the then Governor MacLehose announced the largest public housing programme in the Hong Kong's history. Finally, "in the decade between 1973 and 1982, the present Hong Kong Housing Authority constructed more than 220,000 flats, of which over 180,000 were rental flats, and more than 23,000 were Home Ownership Scheme flats. Together, they provided homes for more than one million people."¹⁷ The governance of the MacLehose administration has made a great difference to Hong Kong society in all aspects. Many citizens thought that the MacLehose administration was committed to the development of social welfare and the improvement of livelihood. When the term of MacLehose was announced to be extended, many people expressed their gratitude. The headline of *China Daily News* said "MacLehose gets term extensions, all parties welcome." The public believed that the rule of the MacLehose administration would contribute to Hong Kong's development and prosperity.¹⁸ When MacLehose left office in 1982, on the eve of his departure, the president of the Xinhua News Agency Hong Kong Branch hosted a special banquet for him.¹⁹

The 1970s was a golden age for the development of public housing, and it was also an era of rapid rise in land prices, property prices and rents. Continuing the upward trend of the late 1960s, in 1970, residential property prices rose by 80% after rising by 20% in 1969, but this was only a temporary rise. After 1972, due to the booming stock market, property prices nearly tripled. Since then, property prices steadily increased. In 1978, property prices rose spectacularly. The average residential property price in Hong Kong rose from an average of HK\$350 to HK\$450 per square foot to HK\$500 to HK\$600. In 1979, it reached HK\$800 to

¹⁵ FCO 40/547: *Hong Kong Objectives*, 27 May 1974. Quoted in Lui Tai-lok, *The Déjà vu 1970s*, Hong Kong: Chung Hwa Book Co, 2012, p. 155.

¹⁶ FCO 40/439: *Murray MacLehose to the Rt. Hon. Sir Alec Douglas-Home, KT, MP*, 1 January 1973. Quoted in Lui Tai-lok, *Deja vu 1970s*, Hong Kong: Chung Hwa Book Co, 2012, p. 160.

¹⁷ Leung Mei-yee, Julie Chiu translated, *From Shelter to Home: 45 Years of Public Housing Development in Hong Kong*, Hong Kong: Hong Kong Housing Authority, 1999, p. 198.

¹⁸ MacLehose gets term extensions, all parties welcome, *China Daily News*, March 21, 1979.

¹⁹ Zhang Lianxing, "Twenty-Eight Hong Kong Governors", Beijing: Blossom Press, 2007, p. 28.

HK\$900, and in some places it was even HK\$1200 to HK\$1,300. The price of some remote new towns was up to nearly HK\$1,000. The increase reached 100% within a year. Under the control of the British Hong Kong Government, the prices in the auction shattered records. On December 28, 1976, a piece of land in eastern Tsim Sha Tsui was auctioned at a price of HK\$2,161 per square foot. On January 17, 1978, the price of another land in the same district was HK\$4,795 per square foot. On October 3 of the same year, the auction price of another land was HK\$8,347 per square foot, almost 74% higher than the beginning of the year.²⁰ The dramatic rise in land prices and property prices inevitably led to a surge in rents. In the early 1970s, renting a 100-square-foot room, cost HK\$200 to HK\$300 a month or less. In 1979, however, renting the same room, cost HK\$500 to HK\$700 a month at least.²¹ Moreover, the real estate industry in Hong Kong was booming and there was even a grand queue for buying a flat in the 1970s. In 1976, when the Chi Fu Garden in Hong Kong Island was on pre-sale, customers queued unprecedentedly to buy flats. Subsequently, when other private flats were launched for sale, there was also a long queue. When Bedford Garden in Hong Kong Island and Telford Garden in Kowloon were on pre-sale, some customers even waited overnight.

With the booming property market, scarce urban land supply in Hong Kong Island and Kowloon and the growing population, the government made a huge plan to develop the New Territories. Following the development of Tsuen Wan, Sha Tin and Tuen Mun, Tai Po, Yuen Long, Fanling as well as Sheung Shui were included in the New Town Scheme. The government also intended to take back the land in the New Territories. Due to the unreasonable land resumption arrangements that the government only issued a notice to the land owners three months in advance, conflicts and disputes often occurred between the government and villagers. For example, the government tried to temporarily change some agricultural lands in On Lok Tsuen, Fanling to industrial use, and then changed the temporary industrial lands to permanent industrial lands by modifying land leases or land exchange. But, On Lok Tsuen used to be a place for the villages living and working in peace. The government ignored the interests and needs of the aborigines, and carried out forcible demolishment. Eventually, on May 27, 1979, when Squatter Control Office and the Royal Police entered the On Lok Tsuen to clear the wooden houses, a serious conflict broke out. The villagers threw stones and glasses to the police and government staff. The police fought back by using 25 tear gas bombs. The conflict caused eight policemen and villagers injured, and 22 villagers were charged with unlawful assembly.²² In 1984, the British Hong Kong Government intended to pull down some villages in Tin Shui Wai with the purpose to develop new towns. Villagers who lived in Pak Sha Chai Tsuen and Chui Ka Wai Tsuen requested the government to reconstruct their villages through land exchange, but the government refused. Afterwards, the villagers marched on Nathan Road

²⁰ Hong Kong Economic Herald, *Hong Kong Economic Annals 1980 Edition*, Hong Kong: C & C Joint Printing Co., (H. K.) Ltd, 1980, p. 16.

²¹ Hong Kong Economic Herald, *Hong Kong Economic Annals 1980 Edition*, Hong Kong: C & C Joint Printing Co., (H. K.) Ltd, 1980, p. 16.

²² *The police used tear gas bombs, eight policemen were injured*, Hong Kong Business Daily, May 28, 1979, p.7.

and signed a petition at Tsim Sha Tsui Pier. In the end, the government reluctantly made a compromise and relocated the villages in Ping Shan. Before the construction of the Tsuen Wan Line, “Sai Lau Kok Incident” broke out. In January 1979, the residents of seven buildings in Sai Lau Kok were notified by the government that they had to move out in order to make room for the construction of the MTR. The residents opposed the eviction and launched a nearly one-and-a-half-year struggle. There were 389 households in Sai Lau Kok, of which 170 accepted the compensation at first. But almost 200 households refused to move out in July 1979. Accompanied by Elsie Tu, a member of the Urban Council, three resident representatives went to British Parliament for help.²³ However, the government was not affected by the British Parliament, and it decided to cut off the supply of water and electricity if the residents of Sai Lau Kok did not move away at the end of July. The rest of the residents prepared 200 gas lamps and rent water trucks for long-term struggle. Afterwards, the government made a compromise and gave additional allowances, about HK\$10,000 and HK\$20,000, to all the owners of flats and respectively stores.²⁴ Built in the Kangxi Dynasty, the Tin Hau Temple in the south of Shek Wai Kok, Tsuen Wan was forced to relocate, due to the construction of MTR. These unreasonable land resumption arrangements which ignored the living conditions, traditional customs and architectures, caused dissatisfaction among the aborigines.

Under the strong promotion of the New Territories Development Plan, the development strategy of the property developers closely followed the plan of the government. At that time, apart from paying cash to the land owners as compensation, the government issued a land exchange entitlement document stipulating that the government would offer the owners pieces of building land in the new town at an unspecified future time. There were two types of land exchange, and the most popular way was letter B. “The “Letter B” stipulates that for every five square feet of agricultural land resumed, two square feet of building land would be granted, and for every square foot of building land resumed, one square foot would be granted in exchange.”²⁵ The another one is Letter A. “The “Letter A” was issued when a landowner voluntarily surrendered his land with vacant possession for public purpose without going through the statutory resumption process and redemption terms were the same as those of Letter B.”²⁶ “All through the 1970s and 1980s, leading property developers were avid collectors of “Letters A/B” through engaging various specialized “Letter A/B” land agents who had a network of connections with “Letter A/ B” holders (formerly landowners) in the New

²³ The government asked residents to move out, the owners refused, and called the British Parliament for help., Tsuen Wan Star, July 20, 1979, p. 8.

²⁴ The rest owners of Sai Lau Kok swore to stop the demolition, Tsuen Wan Star, September 20, 1979, p. 1.

²⁵ Alice Poon, *Land and Ruling Class in Hong Kong Second Edition*, Singapore: Enrich Professional Publishing, 2011, p. 73.

²⁶ Alice Poon, *Land and Ruling Class in Hong Kong Second Edition*, Singapore: Enrich Professional Publishing, 2011, p. 74.

Territories.”²⁷ “By the late 1970s, the speculative price for “Letters A/B” was at its height and the vast majority of “Letters A/B” were purchased by four major developers, the author said.”²⁸ In the 1980s, the government allowed the real estate developers to use LetterA/B instead of cash to pay for the public sale or lease modification premiums. “Land costs were normally lower for sites purchased through “Letters A/B” tenders than for sites purchased through public auction. Land costs for “Letters A/B” tendered sites constituted only 10 to 20 per cent of the price of a unit. It also says that estimated profit margins for “Letters A/B” tendered sites ranged from 77 to 364 per cent of total development costs while those for auctioned sites ranged from 6 to 109 per cent, based on results of five case studies at project level involving 13 residential developments.”²⁹

The political factors are the main reasons of public housing system reform from 1972 to 1987. The British Government began to consider the future of Hong Kong and negotiations with the Chinese Government. In order to bargain with the Chinese Government effectively in the Sino-British talk on the Hong Kong issue, British Hong Kong Government has taken the initiative to intervene in the livelihood issues. The intervention not only made Hong Kong more modern, but also improved residents’ loyalty to the government. It was a policy that achieved many things at one stroke.

The purpose of public housing system is not to trap tenants in the public housing, but to help them escape the destiny of renting and achieve the dream of buying flats by themselves. The development of Hong Kong Island and Kowloon was saturated as early as the 1960s. In the 1970s, the British Hong Kong Government broke through the restrictions and introduced a huge new towns scheme in the New Territories. The new towns were located in the New Territories, far from the urban areas, where the infrastructure was very poor. As a result, New Towns became places for low-income people and poor middle class. The government only wanted to reclaim the urban lands that were occupied by the poor, and built many buildings in the new towns in order to move a large number of citizens from the urban areas to the suburbs. The life and work of the dwellers were not considered by the government in the long run. This invisible separation made a bad impact on millions of residents’ life. Known as “the Planner of New Town Scheme”, the British Hong Kong Government should not just focus on recycling urban lands with great development potential, and arbitrarily transfer a large number of people to the suburbs. A long-term and advanced plan was needed to guide the development of the new towns. In addition to providing basic living conditions, efforts should be made to improve transportations, industries, education and recreational facilities in new towns so that residents

²⁷ Alice Poon, *Land and Ruling Class in Hong Kong Second Edition*, Singapore: Enrich Professional Publishing, 2011, p. 74.

²⁸ Alice Poon, *Land and Ruling Class in Hong Kong Second Edition*, Singapore: Enrich Professional Publishing, 2011, p. 74.

²⁹ Alice Poon, *Land and Ruling Class in Hong Kong Second Edition*, Singapore: Enrich Professional Publishing, 2011, p. 75.

could live there satisfactorily, rather than become pathfinders in the new towns and be marginalized by the society.

In order to help families who being ability to buy homes by themselves successfully, the British Hong Kong Government has introduced "Home Ownership Scheme". However, it was the essence of plot that the British Hong Kong Government wanted to share the additional income of the middle-income earners. On the one hand, the transfer restriction of Home Ownership Scheme allowed the government to obtain the appreciation of the flats over the years. It can be safely concluded that Home Ownership Scheme was the investment scheme of the Hong Kong British Government. On the other hand, "home ownership" did not mean that the home owner had full property right. The owners of discounted flats could not sell or buy their own flats freely. This restriction avoided the great impact of Home Ownership Scheme on the entire private housing market, and made a contribution to maintain high prices in private housing and guarantee the higher revenue by selling lands.

The development strategy of the property developers closely followed the plan of the government. The Letters A/B system made some unfair phenomena occur in the real estate industry. With plenty of money, the real estate developers avidly collected "Letters A/B" and owned a lot of valuable lands. Due to the green light from the government, property developers made a great fortune and gradually became one of Hong Kong's hegemons.

3. POVERTY PROBLEMS IN HONG KONG

Hong Kong, one of the four Asian tigers, was thought to be out of poverty and even considered as one of the most successful emerging industrial areas in the world. The economic development model of Hong Kong's free-market through export-oriented processing was regarded by the International Monetary Fund and the World Bank as one paradigm for third world to get rid of poverty. Nevertheless, for decades, the economic growth of Hong Kong has not increased the poor's share of the wealth in social distribution. As early as 1970s, Hong Kong had a high Gini index of 0.41, and it rose to 0.45 in the early 1980s, which was higher than that of most Western developed countries. "The benchmark for poverty in Hong Kong is normally given as the proportion of households living on less than half the median monthly household income, which is itself a remarkably low US\$1,290."³⁰ "By this measure, the poor increased from 11.2 per cent of the population in 1991 to 15 per cent in 1996"³¹ As early as 1981, a comprehensive census of the 1,024,400 households in Hong Kong, of which 110,000 households earned less than HK\$1,000 per month, and 108,000 earned more than HK\$8,000.

³⁰ Joe Studwell. *Asian Godfathers Money and Power in Hong Kong and South East Asia*, New York: Atlantic Monthly Press, 2007, p. 178.

³¹ Joe Studwell. *Asian Godfathers Money and Power in Hong Kong and South East Asia*, New York: Atlantic Monthly Press, 2007, p. 178.

Most families earned ranging from HK\$2,000 to HK\$5,000.³² The prices of Hong Kong real estates, which was firmly controlled by the richest tycoons and the government, were extremely unreasonable. According to a survey conducted by *Hong Kong Economic Herald* in 1982, the monthly basic living expenses of a normal family of four reached HK\$2,872, of which rent accounted for one-fifth to one-quarter. In most cases, low-income workers did not have the bonus as the senior civil servants with monthly salaries over HK\$10,000.³³ Therefore, it is actually impossible for many Hong Kong residents to realize their dream of buying a house. The government established some strict regulations of land purchase and refused to introduce competition laws in the real estate market, which cause the situation that the market was in fact dominated by a few real estate oligarchies. In the name of development, the government was slanted blatantly in favour of real estate developers. With the property market booming, the government and the property developers maintained a mutually beneficial relationship, which helped them reach a "win-win" situation. Under this circumstance, they constructed the stereotype of pricey lands in Hong Kong.

Houses brought tremendous wealth to the real estate magnates. These giant conglomerates sought opportunities in other sectors and gradually controlled the economy in Hong Kong. As for electricity, the supply of electricity was dominated by Li Ka-shing's Hong Kong Electric Holdings and The Kadoories' The CLP Holdings. In term of public bus services, it was controlled by Transport International Holdings, a subsidiary of Sun Hung Kai Properties, and New World First Bus, controlled by the New World Development group. The supply of gas was monopolized by Hong Kong and China Gas Company, a company belonging to the Lee Shau-kee stable. In addition, Hong Kong' supermarkets were firmly controlled by Parkshop and Wellcome, whose market share accounted for around 70%. Because of monopoly, the money from most of the residents received into the great developers' pockets. The residents were forced to accept the high commodity prices and poor service. In 1996, 42% of the social income was in the hand of 10% of the population, while 10% of the population who was at the bottom of the society had only 1.1% of social wealth. There were 180,000 households with monthly income of HK\$100,000 or more. The number of households with the income of only HK\$5,500 or less has reached 600,000, of which 410,000 were under poverty line. The gap between the rich and the poor in Hong Kong has reached the highest level in nearly 20 years. This phenomenon only appeared in Latin America in the past rather than East Asia.³⁴ However, "The Hong Kong British Government had never acknowledged the serious poverty problem. The government thought that poverty was caused by the inabilities of some individuals (such as the elderly and the sick) or people's non-striving awareness (such as lack of motivation for

³² Zheng Deliang, *A preliminary study on Hong Kong Economy*, Guangzhou: Sun Yat-Sen University Press, 1984, 247.

³³ Zheng Deliang, *A preliminary study on Hong Kong Economy*, Guangzhou: Sun Yat-Sen University Press, 1984, 247.

³⁴ Feng Bangyan, *Chinese Conglomerates in Hong Kong 1841-1997*, Shanghai: Orient Publishing Center, 2007, p. 338.

work).”³⁵ Under the Patten administration, the social welfare of Hong Kong has increased. But the improvement of social welfare not aims at eliminating inequalities, but praising the colonial rule of the British government. “Quite deliberately, our welfare system does not exist to iron out inequalities. It does not exist to redistribute income. Our welfare programmes have a different purpose. They exist because this community believes that we have a duty to provide a safety net to protect the vulnerable and the disadvantaged members of society, the unfortunate minority who, through no fault of their own, are left behind by the growing prosperity enjoyed by the rest of Hong Kong.”³⁶

It seems that Hong Kong is a resplendent place. However, it is a place of melancholy. From the perspective of property, due to the booming property market, the social wealth will be centralized in the hand of those who own real estates. People without house property will be marginalized by the society. Then, the gap between the rich and the poor will become larger and larger, and the social division will become more serious. The lack of housing in Hong Kong has caused serious poverty problems among the general public.

4. HONG KONG MODEL: A GOOD EXAMPLE OR A BAD MODEL?

It is said that the ramification of social housing system in Hong Kong is a huge success. In this miracle, the hero is British Hong Kong Government who established the public housing system. Many people who do not know the truth, think that the British Hong Kong Government has affected by the neo-liberalism with the focus on welfare countries and began to intervene in Hong Kong's social housing problems. As a result, it has caused a worldwide misunderstanding: Hong Kong is regarded as a successful area for solving the public housing problems. And the tenants of public rental housing flats are grateful to the government. In fact, the British Hong Kong Government's intervention had its own political and economic purposes, and the intervention was not simply based on social security.

The serious social housing problem in Hong Kong is obviously not a fresh news. When comparing to Singapore, a similar developed economy to Hong Kong in all respects, we can easily conclude that the public housing system in Hong Kong is unreasonable. “Singapore, in the 1960s, also faced the serious social housing problems. Before 1960, one-third of Singaporeans lived in illegally built shacks which were old, and the infrastructure was poor. There was no water or electricity supply. It was in urgent need of resettlement.”³⁷ After autonomy, Singapore Government established the Housing and Development Board (HDB) to deal with the social housing problems. Under the guidance of the clear housing construction plan, HDB has built a large number of two-bedroom flats with an area of 41 square meters and

³⁵ Wong Hung: *The hope of poverty eradication: Examination of poverty problem in Hong Kong*, Hong Kong: Chung Hwa Book Co, 2014, p.5.

³⁶ https://www.legco.gov.hk/yr96-97/english/lc_sitg/hansard/han0210.htm

³⁷ Hong Xia & Liu Jing, “Housing Policy System in Singapore after Autonomy”, *Journal of Suzhou University of Science and Technology (Social Science)*, vol. 3, 2012, p. 72.

studio flats with 21 square meters. In the late 1960s, 35% of the Singaporean has successfully lived in the decent housing, and the per capita area was up to 8.7 square meters. Moreover, Singapore's "Home Ownership Scheme" was based on a higher degree of market orientation which met the social needs. Singaporeans were allowed to rent and buy HDB flats freely. Whether renting or buying, the government would give a reasonable price to eligible residents. The owners of discounted flats could sell the flats on the open market after living 5 years without paying the government for land premiums. Singapore's public housing market was very active.³⁸ Singapore's homeownership rate was up to 85% as early as the end of 1980s.³⁹ Consequently, Singapore's achievements in social housing problems were far superior to those of Hong Kong.

Since the reform and opening up policy was carried out in 1978, Chinese people have opened their eyes to look at the outside world again. The place that leap to their eyes first was Hong Kong, a wealthy, free and modern city. Under the "halo effect", Chinese people have made a misunderstanding of Hong Kong.⁴⁰ The things like Hong Kong songs, Hong Kong movies as well as Hong Kong TV dramas, made Chinese people pursue crazily. When housing system was about to reform in China, Hong Kong Model was the best example. The evaluation of Hong Kong's public housing system was praised and rarely questioned the "Hong Kong Model".

At present, home prices in Hong Kong has continued to rise rapidly, and the housing problem has become an important factor in expanding the gap between the rich and the poor. Tracing back to the source, before the reunification of Hong Kong, some unreasonable public housing policies had made a profound impact on the society. Hong Kong's public housing system is not a welfare system for the low-income families. On the contrary, it is the root that contributes to poverty in Hong Kong. As early as 2005, the then Chinese Premier Wen Jiabao proposed that Hong Kong had deep-seated conflicts which needed to be solved as soon as possible. But he did not explain the nature of the conflicts at that time. It was not until a press conference five years later that he explained the conflicts one by one. He warned Hong Kong government to focus on residents' livelihood and the development of education.

Paul Krugman, an American economist, said "The only important structural obstacles to world prosperity are the obsolete doctrines that clutter the minds of men."⁴¹ It is the time for us to objectively and rationally understand the essence of Hong Kong's public housing system. Many

³⁸ Yue Chim Richard Wong, *Hong Kong's Long-term Housing Strategy and Hong Kong Land for Hong Kong People*, Hong Kong: Chung Hwa Book Co, 2013, pp. 42-44.

³⁹ Hong Xia & Liu Jing, "Housing Policy System in Singapore after Autonomy", *Journal of Suzhou University of Science and Technology (Social Science)*, vol. 3, 2012, p. 74.

⁴⁰ Chen Youhua & Lyu Cheng, *The Myth of Hong Kong Real Estate Market*, Beijing: China Development Press, 2014, p. 82.

⁴¹ Paul Krugman, *The Return of Depression Economics and the Crisis of 2008*, New York: W. W. Norton & Company, Inc., 1999, p. 191.

problems in Hong Kong public housing system remain unsolved. Hong Kong's miracle of solving the public housing problems exists in name not in deed.